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ACTION OES-06

INFO OCT-01 EUR-12 EA-07 NEA-10 ISO-00 FEA-01 ERDA-05

AID-05 CEA-01 CIAE-00 CIEP-01 COME-00 DODE-00 EB-07

FPC-01 H-02 INR-07 INT-05 L-03 NSAE-00 NSC-05 OMB-01

PM-04 USIA-06 SAM-01 SP-02 SS-15 STR-04 TRSE-00

ACDA-07 /119 W

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R 280522Z OCT 76 ZDK
FM AMEMBASSY KUWAIT
TO SECSTATE WASHDC 6525
INFO AMEMBASSY BONN
AMEMBASSY JIDDA
AMEMBASSY LONDON
AMEMBASSY MANAMA
AMEMBASSY PARIS
AMEMBASSY TEHRAN
AMEMBASSY TOKYO
AMEMBASSY VIENNA

C O N F I D E N T I A L KUWAIT 5063

E.O. 11652: GDS

TAGS: ENRG KU

SUBJECT: KUWAIT INTEREST IN NUCLEAR POWER GENERATION

REF: KUWAIT A-66, 31 JULY 1976

SUMMARY: REFAIR (PP13 TO END) REVIEWED HISTORY OF
KUWAIT'S INTEREST IN NUCLEAR POWER TECHNOLOGY ACQUISITION.
SENIOR GOK OFFICIAL HAS RECENTLY REITERATED TO EMBASSY
HIS CONVICTION THAT GOK WILL DECIDE ACQUIRE SMALL
REACTOR TO 1) TEST NUCLEAR POWER'S FEASIBILITY AS
ELECTRIC POWER AND WATER DESALINATION SOURCE IN KUWAIT;
2) SERVE AS A TRAINING VEHICLE AND PERHAPS A PROTOTYPE
TRAINING CENTER. NO FINAL DECISIONS HAVE BEEN TAKEN
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YET BUT OFFICIAL BELIEVES THAT COST FACTORS AND FLEXIBILITY

WHICH NUCLEAR POWER WOULD PROVIDE WILL BE POTENT INDUCEMENTS FOR GOK TO ENTER NUCLEAR POWER GENERATION FIELD. ECONOMICS OF PROJECT REMAIN UNCERTAIN, HOWEVER, GIVEN SMALL (BELOW US MINIMUM) SIZE OF REACTOR KUWAITIS WANT. END SUMMARY

1. DR. ZAKI ABU EID, THIRD MAN IN GOK MINISTRY OF ELECTRICITY AND WATER (MEW) AND CHIEF ENGINEER FOR ELECTRICITY, HAS DISCUSSED WITH EMBOFFS FACT THAT MEW IS NOW GATHERING DATA PREPARATORY TO SOLICITING BIDS FOR A 40 MEGAWATT NUCLEAR REACTOR. ACKNOWLEDGING THAT COUNCIL OF MINISTERS HAS YET TO GIVE GREEN LIGHT TO PROJECT, ABU EID IMPLIED THAT MUCH SPADE-WORK REMAINS TO BE DONE TO DEFINE KUWAITI REQUIREMENTS BUT HE IS CONFIDENT GOK WILL APPROVE NUCLEAR POWER PROJECT.

2. DISCUSSING GENERAL RATIONALE FOR ACQUISITION OF NUCLEAR GENERATING CAPABILITY, ABU EID CITED (A) LOW OPERATING COST OF NUCLEAR POWER GENERATION (AT PRESENT AT LEAST) COMPARED WITH HIGH-COST FUEL OIL ON WHICH KUWAIT MAY HAVE TO RELY ONCE PRESENT NATURAL GAS SUPPLIES PROVE INADEQUATE; AND (B) FLEXIBILITY THAT NUCLEAR POWER OPTION WOULD PROVIDE, REMOVING DEPENDENCY ON FOSSIL FUELS. ABU EID ALSO STRESSED DESIRABILITY OF EARLY INTRODUCTION TO A DEVELOPING COUNTRY OF AN ULTIMATELY INDISPENSABLE NEW TECHNOLOGY.

3. ABU EID SEES RELATIVELY EARLY INTRODUCTION OF 40 MEGAWATT REACTOR AS SERVING THREE PURPOSES: PROVIDING ON-THE-JOB TRAINING FOR KUWAITIS WHO WILL OPERATE FUTURE LARGE SCALE REACTORS, GENERATING SIGNIFICANT QUANTITIES OF BOTH ELECTRIC POWER AND DESALTED WATER, AND MANUFACTURING SUCH ITEMS AS RADIOISOTOPES FOR MEDICAL PURPOSES. ABU EID EMPHASIZED THAT REACTOR WOULD NOT RPT NOT BE FOR RESEARCH PURPOSES. HE ENVISAGES REACTOR AS ALLOWING KUWAITIS (AND OTHERS COOPERATING WITH THEM) TO BECOME FAMILIAR WITH NUCLEAR POWER OPERATIONS WITHOUT INCURRING HEAVY FINANCIAL OR TECHNICAL RISKS. HE REFERRED TO RECENT STATEMENT AT INTERNATIONAL ATOMIC ENERGY AGENCY MEETING IN RIO, NOTING THAT SUCH SMALL REACTORS COULD

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BE NUCLEI OF REGIONAL TRAINING CENTERS THROUGHOUT THE WORLD.

4. AS FOR SOURCE OF EQUIPMENT AND FUEL FOR REACTOR, ABU EID OBSERVED EUROPE IS MOST LIKELY, AND SPECIFICALLY MENTIONED FRANCE AS ACTIVE SUPPLIER OF NUCLEAR TECHNOLOGY ABROAD. (EMBASSY UNDERSTANDS THAT MEW HAD INDEED MADE INITIAL CONTACTS WITH FRAMATOME, KRAFTWERKUNION, GEC,

AND AN UNIDENTIFIED JAPENSE FIRM, IN ADDITION TO GENERAL ELECTRIC AND WESTINGHOUSE.) HOWEVER ABU EID STATED THERE HAS BEEN NO DECISION AS TO WHO WOULD BE INVITED TO BID ON PROJECT. HE OPINED THAT US FIRMS COULD NOT BE EXPECTED TO COMPETE EFFECTIVELY SINCE THEY DO NOT AT PRESENT MANUFACTURE 40 MEGAWATT UNITS. HE CHARACTERIZED FAILURE TO DO SO AS AN ERROR IN THAT SMALL REACTORS ARE ONLY FIRST STEPS TOWARD MAJOR REACTOR SALES IN FUTURE.

5. REP OF CHARLES T. MAIN INTERNATIONAL WHOSE FIRM HAS IN PAST SERVED AS DESIGN CONSULTANT TO MEW, AWARE OF ABU EID'S CONVERSATION WITH EMBOFFS, TELLS US HIS FIRM HAS SEVERAL TIMES ADVISED MEW OFFICIALS THAT A POWER PRODUCING REACTOR IS ECONOMICALLY INFEASIBLE FOR KUWAIT, AND THAT, IF GOK FEELS NEED FOR A REACTOR, IT SHOULD PURCHASE ONE FOR USE ON RESEARCH PROJECTS ONLY. HE ADDS THAT FIRM'S ADVICE HAS APPARENTLY BEEN IGNORED ON ECONOMIC GROUNDS AND REJECTED ON POLITICAL GROUNDS. HE BELIEVES MEW IS PREPARED TO SELL ITS NUCLEAR REACTOR IDEAS TO COUNCIL OF MINISTERS ON THE TWIN BASES OF PRESTIGE AND AVOIDING USE OF HIGH-VALUE FUEL OIL FOR GENERATION. REP ALSO OPINED THAT PALESTINE BORN ABU EID, THE DRIVING FORCE BEHIND NUCLEAR PROJECT, WOULD BE INCLINED FOR POLITICAL REASONS TO STEER GOK AWAY FROM PROCURING REACTOR FROM US SUPPLIER.

6. COMMENT: MAIN REP'S REMARKS ARE INTERESTING IN LIGHT OF 1974 IAEA STUDY FINDING (DESCRIBED REPAIR) THAT NUCLEAR POWER WAS ECONOMICALLY AND TECHNICALLY FEASIBLE FOR KUWAIT. KUWAIT'S GROWING SHORTAGE OF NATURAL GAS, AT PRESENT ITS SOLE SOURCE OF ELECTRIC POWER GENERATION, IS LIKELY TO FORCE MEW TO USE MORE EXPENSIVE FUEL OIL FOR GENERATION. HOWEVER, UNCERTAINTY OVER BOTH PRICE OF GAS AND COSTS OF

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NUCLEAR POWER COULD ADVERSELY AFFECT CURRENT ECONOMIC CALCULATIONS. ABU EID ACKNOWLEDGED THAT SHORTAGE OF NUCLEAR FUEL OWING TO OVERTAXED REPROCESSING CENTERS, OR INCREASES IN CAPITAL COSTS SUCH AS THOSE EXPERIENCED IN US, WOULD LESSEN ATTRACTIVENESS OF NUCLEAR PROJECT FOR KUWAIT. ALSO, IF DEEP-WELL GAS PROJECT, DRILLING ON WHICH TO COMMENCE MAY 1977, FINDS NON-ASSOCIATED GAS IN AMPLE SUPPLY, ABU EID'S ECONOMIC RATIONALE FOR EARLY NUCLEAR DEVELOPMENT WOULD BE FURTHER UNDERMINED.

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Message Attributes

Automatic Decaptioning: X
Capture Date: 01 JAN 1994
Channel Indicators: n/a
Current Classification: UNCLASSIFIED
Concepts: NUCLEAR REACTORS, DESALINATION, ELECTRIC POWER, DEVELOPMENT PROGRAMS
Control Number: n/a
Copy: SINGLE
Draft Date: 28 OCT 1976
Decaption Date: 01 JAN 1960
Decaption Note:
Disposition Action: RELEASED
Disposition Approved on Date:
Disposition Authority: KelleyW0
Disposition Case Number: n/a
Disposition Comment: 25 YEAR REVIEW
Disposition Date: 28 MAY 2004
Disposition Event:
Disposition History: n/a
Disposition Reason:
Disposition Remarks:
Document Number: 1976KUWAIT05063
Document Source: CORE
Document Unique ID: 00
Drafter: n/a
Enclosure: n/a
Executive Order: GS
Errors: N/A
Film Number: D760405-1320
From: KUWAIT
Handling Restrictions: n/a
Image Path:
ISecure: 1
Legacy Key: link1976/newtext/t19761010/aaaaahvw.tel
Line Count: 164
Locator: TEXT ON-LINE, ON MICROFILM
Office: ACTION OES
Original Classification: CONFIDENTIAL
Original Handling Restrictions: n/a
Original Previous Classification: n/a
Original Previous Handling Restrictions: n/a
Page Count: 3
Previous Channel Indicators: n/a
Previous Classification: CONFIDENTIAL
Previous Handling Restrictions: n/a
Reference: 76 KUWAIT A-66
Review Action: RELEASED, APPROVED
Review Authority: KelleyW0
Review Comment: n/a
Review Content Flags:
Review Date: 25 MAR 2004
Review Event:
Review Exemptions: n/a
Review History: RELEASED <25 MAR 2004 by ShawDG>; APPROVED <12 AUG 2004 by KelleyW0>
Review Markings:

Margaret P. Grafeld
Declassified/Released
US Department of State
EO Systematic Review
04 MAY 2006

Review Media Identifier:
Review Referrals: n/a
Review Release Date: n/a
Review Release Event: n/a
Review Transfer Date:
Review Withdrawn Fields: n/a
Secure: OPEN
Status: NATIVE
Subject: KUWAIT INTEREST IN NUCLEAR POWER GENERATION
TAGS: ENRG, TECH, KU
To: STATE
Type: TE
Markings: Margaret P. Grafeld Declassified/Released US Department of State EO Systematic Review 04 MAY 2006